

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, SEPTEMBER 21, 2005
10:00 A.M.

Reported by:
Chris Loverro
Contract No. 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Joseph Desmond, Presiding Member

John L. Geesman, Commissioner

James D. Boyd, Commissioner

Jackalyne Pfannenstiel, Commissioner

Arthur H. Rosenfeld, Commissioner

STAFF PRESENT

Claudia Orlando

Marc Pryor

Robert Hudler

Michael Hartley

Mary Dyas

Jennifer Tachera

Clint Lowell

Jane Heinz

Ann Peterson

Arthur Soinski

Mike Magaletti

Thom Kelly

Arlene Ichien, Staff Counsel

B.B. Blevins

ALSO PRESENT

Ken Nittler, Enercomp

Jeff Harris, CalPine

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1 P R O C E E D I N G S

2 10:00 a.m.

3 CHAIRPERSON DESMOND: Please rise and
4 join me in reciting the pledge of allegiance.

5 (Whereupon, the Pledge of
6 Allegiance was recited in unison.)

7 CHAIRPERSON DESMOND: Good morning
8 everyone, and thank you for coming. Just as a
9 quick reminder, blue cards, I know we have some.
10 If there is anyone else who wants to add, we will
11 make those available.

12 Two agenda changes. Item No. 15, which
13 is the SAIC Appeal, has been removed from the
14 agenda item, so if you would note that. Likewise
15 agenda item No. 18 will be held over for
16 discussion until the next business meeting. That
17 is a consideration regarding a new OIR regarding
18 governing regulations on data collection.

19 With that, we will begin by taking up
20 the consent calendar.

21 COMMISSIONER PFANNENSTIEL: I move the
22 consent calendar.

23 (Thereupon, the motion was made.)

24 COMMISSIONER ROSENFELD: Second.

25 CHAIRPERSON DESMOND: All those in

1 favor?

2 (Ayes.)

3 CHAIRPERSON DESMOND: Opposed?

4 Adopted, four to nothing.

5 Item two is a report to the governor on
6 the commercial and public building energy
7 benchmarking and possible adoption of the report
8 mandated by Executive Order S20-04 in the Green
9 Building Action Plan.

10 MS. ORLANDO: Good morning,
11 Commissioners. My name is Claudia Orlando, and I
12 am with the Public Programs Office. I am
13 requesting Energy Efficiency Committee Report
14 Benchmarking System for California commercial
15 buildings be approved and presented to the
16 governor as an Energy Commission report.

17 This report is a result of Executive
18 Order S-20-04 and the accompanying Green Building
19 Action Plan.

20 The Green Building Action Plan, Section
21 2.2.4 directs the California Energy Commission to
22 report to the governor with a plan, time table,
23 and recommendations to accomplish benchmarking of
24 all commercial and public buildings in California.

25 The use of a benchmarking tool to

1 provide electricity and gas consumers, an idea of
2 how their building compares to others will help
3 motivate them to take action.

4 Benchmarking of building energy use can
5 contribute to the overall goal of the executive
6 order to reduce energy use by 20 percent by 2015.
7 This report summarizes the Energy Commission's
8 progress to date on these tasks.

9 Because there are 1.5 million commercial
10 accounts in California, the task of implementing a
11 commercial benchmarking program is a very large
12 and must be coordinated with a number of
13 stakeholders.

14 The Energy Commission held a public
15 workshop in April of this year to provide
16 information on existing benchmarking tools and to
17 solicit input to assess the needs of the
18 commercial sector.

19 Energy Commission staff consulted with
20 investor-owned utilities in California as well as
21 the two major municipal utility districts to
22 solicit their input and participation.

23 Based on staff work and input from many
24 parties, staff evaluated two of the most widely
25 used benchmarking tools. Cal-Arch, developed by

1 Lawrence Berkeley National Labs and US EPA, Energy
2 Star Portfolio Manager.

3 As a result of that evaluation and input
4 that was gathered, staff developed a list of
5 attributes that are imperative to be included in a
6 benchmarking tool to be used in California.

7 A benchmarking tool is the first step to
8 managed energy costs and a good benchmarking
9 system should motivate building owners and
10 managers to make changes on how their buildings
11 are managed and operated.

12 The tool needs to be based on the latest
13 data available and statistically represent
14 California commercial buildings. The tool needs
15 to be simple to use and easy for consumers to
16 understand. There needs to be a low cost of
17 delivery and to get a benchmarking score to the
18 consumer and low cost for program support.

19 Neither of these two tools have all the
20 attributes that are necessary for quality
21 benchmarking system to be effective and to
22 contribute to the overall reduction of energy use
23 as specified in the Executive Order.

24 Based on our evaluation and input from
25 others involved, staff recommends the development

1 of a California specific benchmarking tool.

2 During the interim, it is recommended to use US
3 EPA's Energy Star benchmarking tool.

4 The Energy Commission's Public Interest
5 Energy Research Program, along with the Energy
6 Efficiency Division is working with US EPA,
7 Lawrence Berkeley National Lab, and Oakridge
8 National Lab to look at recently gathered
9 California specific data and to develop a
10 benchmarking tool that fits the needs of utilities
11 and the California commercial building sector.

12 It is hoped that US EPA Energy Star
13 benchmarking tool can be used with this updated
14 California specific data. We anticipate this work
15 to be completed and the deployment of a
16 benchmarking system using California specific
17 benchmarking tool to be implemented by the end of
18 2006.

19 Over the coming months during the
20 development of this California specific tool, the
21 Energy Commission will continue to work with
22 utilities and other service providers to develop a
23 delivery system for commercial benchmarking.

24 Utilities are the most logical way to
25 deliver the benchmarking rating to their

1 customers. Our plan also includes working closely
2 with the Real Estate Industry Leadership Counsel
3 and Building Operators and Managers Association to
4 market a benchmarking program and to get feedback
5 regarding all stages of development and
6 implementation of the benchmarking plan.

7 Our next steps are to continue
8 negotiations with US EPA to develop a California
9 specific tool. Energy Commission staff will
10 continue to work utilities to be sure program
11 funding is able to support benchmarking and that
12 benchmarking programs are integrated and a part of
13 a portfolio of energy conservation programs
14 offered.

15 Public workshops will be held in early
16 2006 for further input into the final California
17 specific benchmarking tool. Staff is requesting
18 approval of this report with a few editorial
19 changes noted.

20 On Page 1, the addition of the reference
21 of a November 2000 report energy accounting, a key
22 tool in managing energy costs. This report
23 contains useful information on how to manage
24 energy costs in buildings and benchmarking is the
25 first step in managing these costs.

1 On Page 5, a line has been deleted that
2 may unintentionally lead the reader to assume that
3 the Energy Commission may use a different
4 benchmarking tool in the future other than what
5 has been stated in the recommendation section of
6 this report.

7 In conclusion, staff is requesting
8 approval of this report with changes noted and
9 approval to move this report on to the governor as
10 an Energy Commission report. If there are any
11 questions, I can answer them at this time.

12 CHAIRPERSON DESMOND: Commissioner
13 Pfannenstiel.

14 COMMISSIONER PFANNENSTIEL: Thank you,
15 Claudia. That was an excellent description of
16 what we have in front of us. The Efficiency
17 Committee has been -- Commissioner Rosenfeld and I
18 have been extremely involved in the development of
19 this report and its recommendations.

20 It left us a little less positive I
21 think than we would have wanted to be. We would
22 have wanted to leap into this immediately with
23 this tool that we can make available to all
24 commercial buildings, but the truth of the matter
25 was that the Energy Star, which is certainly the

1 preferred tool for all of the reasons expressed,
2 doesn't adequately reflect California buildings.

3 It samples just a small number of the
4 million and a half California commercial
5 buildings. We thought that what we needed to do
6 was to find a way to develop that into more of a
7 California tool. We have the PIER work going on,
8 which will bring the commercial data set into that
9 model. In addition, we are talking with US EPA,
10 both Art and myself are meeting with them to
11 discuss how to bring this more into a California-
12 based tool.

13 With that and with the really excellent
14 work the staff has done to examine all of the
15 different possibilities, I believe the report
16 quite well captures what we have left to do and
17 what our recommendations are at the moment.

18 CHAIRPERSON DESMOND: Other comments?
19 Let me also then just add to staff, and I
20 appreciate your acknowledgement of what I felt was
21 an excellent report back in November of 2000 when
22 I read this. I thought this is already a
23 benchmarking tool, so I appreciate the
24 modification to the report and would ask two
25 things.

1 One, as you think about the workshops
2 that you include the subject matter that was
3 identified in the energy accounting when you have
4 that as a reminder, and then recognize that
5 although the software programs identified in this
6 report, and being five years old now, probably six
7 when it was written, have changed. That the
8 underlying principles are still as important as
9 they ever were. I want to commend staff for the
10 work that they've done in the past in this area
11 and ask that perhaps we consider updating the
12 Commission's Efficiency Project Management
13 Handbook in that process.

14 As we distribute this report, be sure
15 and also reference this existing document. Thank
16 you. I have no further comments.

17 COMMISSIONER PFANNENSTIEL: With that, I
18 move the report.

19 (Thereupon, the motion was made.)

20 COMMISSIONER ROSENFELD: I second.

21 CHAIRPERSON DESMOND: All those in
22 favor?

23 (Ayes.)

24 CHAIRPERSON DESMOND: Opposed?

25 So moved, thank you.

1 MS. ORLANDO: Thank you.

2 Adopted four to nothing.

3 Item three, OTAY MESA Energy Center.

4 Possible approval of a petition to change
5 ownership of the OTAY MESA Generating Project from
6 OTAY MESA Generating Company, LLC to OTAY MESA
7 Energy Center, LLC. The new orders an indirect
8 wholly owned subsidiary of Calpine Corporation.
9 Mr. Pryor.

10 MR. PRYOR: Good morning, Mr. Chairman,
11 Commissioners. I am Marc Pryor, and I am the
12 Compliance Project Manager for the OTAY MESA
13 project.

14 We received a petition on 26 August,
15 signed by Mr. Richard Thomas. It states that as
16 the owner and operator of the project, he speaks
17 for the company of course, they understand the
18 conditions of certification agrees to comply with
19 them.

20 We have not received any interest in the
21 case, and we recommend approval of the petition.

22 COMMISSIONER GEESMAN: I move approval
23 of the order, but I do want to express some
24 concern identified in the back up materials for
25 this item. From the staff memo it says that due

1 to financing issues, construction of the project
2 stopped in the spring of 2005 after approximately
3 six percent of the project has been completed.

4 I believe on our website, we continued
5 to identify the project as having recommenced
6 construction or initiated construction in the
7 spring of 2004. We originally approved this
8 project in the spring of 2001, I think before any
9 of us -- well I think before Commissioner
10 Pfannenstiel, yourself, and I were on the
11 Commission.

12 I know this project was beset by
13 problems of the absence of a procurement contract
14 for a number of years, but my impression is that
15 the Public Utilities Commission corrected that
16 more than a year ago. I know that there was a set
17 of required transmission upgrades that would be
18 required for the project. My impression is the
19 Public Utilities Commission has approved those
20 upgrades.

21 I am wary of why this project hasn't
22 gone forward more aggressively in what we can do
23 in conjunction with our colleagues at the Public
24 Utilities Commission to make certain that it comes
25 on line of when we have been told it's needed to

1 come on line in 2008.

2 MR. PRYOR: Commissioner Geesman, your
3 point is well taken. I've asked the company to
4 provide a representative today, Mr. Jeffrey
5 Harris. Here he is.

6 MR. HARRIS: Jeff Harris, with Ellis,
7 Snyder, and Harris on behalf of Calpine for the
8 OTAY MESA Project. Thank you for the opportunity
9 to be here.

10 Commissioner, to address your concerns,
11 yes, you are correct that the contract, the PPA
12 was approved in 2004. That approval did take
13 place. Several of the important conditions
14 precedent to that contract going forward including
15 the important transmission upgrades you talked
16 about have taken place.

17 Currently, though, there is an
18 administrative proceeding at the Commission to re-
19 approve that contract -- no, at the PUC. We
20 approved the Power Purchase Agreement Contract and
21 moved things forward. Any support that you all
22 can give in helping us get through that
23 administrative process at the CPUC would be
24 greatly appreciated.

25 Just to give you an update that Calpine

1 and DWR have executed a milestone extension
2 letter, and that is tied to making progress on a
3 power purchase agreement at the PUC, so that
4 really is more than anything else the issue for
5 the project right now.

6 COMMISSIONER GEESMAN: What is the time
7 frame for review of that power purchase agreement?

8 MR. HARRIS: I don't have an exact date,
9 Commissioner. I know it's a very top priority for
10 the company because that will obviously allow the
11 financing. The action that is before you today,
12 the change of ownership, is to facilitate that
13 financing of the project. We are all pretty much
14 hung up on the PPA issue.

15 CHAIRPERSON DESMOND: I actually have a
16 couple of questions. If I can recall from memory
17 here one of the other conditions precedent dealt
18 with the assignment of what I thought was a
19 sunrise contract or one of the other contracts
20 onto the utilities that for OTAY MESA at the PUC,
21 and I was wondering if that was also taken up in
22 this discussion at the PUC or if that has been
23 resolved.

24 MR. HARRIS: Mr. Chairman, I am not
25 counsel for Calpine at the PUC on this matter, so

1 I can't answer the question. I will get you an
2 answer.

3 CHAIRPERSON DESMOND: Okay. Secondly,
4 who initiated the request for a re-approval of the
5 contract at the PUC?

6 MR. HARRIS: Again, I'll have to get you
7 an answer on that. I apologize, I have not been
8 involved at all at the PUC proceedings.

9 CHAIRPERSON DESMOND: Okay.

10 COMMISSIONER GEESMAN: I've got one that
11 I think relates more directly to our jurisdiction.
12 That is our license I suspect has a five-year time
13 table on it, which by my calculation would come up
14 some time next spring. Is it reasonable for us to
15 expect that you will be back in front of us, Mr.
16 Harris, asking for that deadline to be extended?

17 MR. HARRIS: That would be a worse case
18 scenario for us, Commissioner. We know the
19 Commission has the discretion to extend the
20 license, and we don't want to be in a position to
21 have to ask you to exercise that discretion.

22 The important issue right now is the PPA
23 and getting the financing in place for the
24 project, so I am not anticipating that we will be
25 back in the spring, but this is a very high

1 priority, obviously for the company, to get the
2 PPA issues resolved, so we can move forward with
3 construction.

4 This project is in a terrific location,
5 and it is very much needed, so I understand and
6 appreciate the Commission's concern about getting
7 it on line.

8 COMMISSIONER GEESMAN: I'm told that our
9 colleague or former colleague, Chairman Keese has
10 been named to the Calpine Board in the last day or
11 so, so I am hopeful that the company can gain the
12 attention of state government in moving forward
13 with appropriate diligence.

14 CHAIRPERSON DESMOND: Just a question
15 for staff, and that would be to determine whether
16 or not our summer 2006 forecast is likely to be
17 adjusted or impacted by any possible delay
18 regarding the availability of this resource.

19 You don't need to respond today, but,
20 again, just to make sure that we are considering
21 and factoring that into our assessments.

22 MR. PRYOR: Yes, sir, I'll have to get
23 back to you.

24 COMMISSIONER GEESMAN: I think we have
25 shown it as December of '08 coming on.

1 CHAIRPERSON DESMOND: Okay.

2 COMMISSIONER BOYD: This is actually
3 quite a complicated series of dominoes and
4 volunteer. I know South Bay, OTAY MESA, and
5 Sunrise are all hooked together in some
6 complicated negotiations and leveraging that is
7 going on as you referenced here in this.

8 CHAIRPERSON DESMOND: Thank you. So, I
9 will look for a motion unless there is anything
10 else.

11 COMMISSIONER GEESMAN: So moved.

12 (Thereupon, the motion was made.)

13 COMMISSIONER BOYD: Second.

14 (Thereupon, the motion was seconded.)

15 CHAIRPERSON DESMOND: All those in
16 favor.

17 (Ayes.)

18 CHAIRPERSON DESMOND: Opposed?

19 So moved. Thank you.

20 Item four, the City of Santa Monica and
21 possible approval of the city's adoption and
22 enforcement of a local ordinance requiring energy
23 efficiency more stringent than the 2005 Building
24 Energy Efficiency Standards, which is Title 24,
25 Part 6.

1 Mr. Hudler.

2 MR. HUDLER: Good morning,
3 Commissioners. My name is Rob Hudler. I'm with
4 the Building and Appliance Standards office.
5 Since I also have the Marin County, I'd like to
6 give a little background that is related to both
7 projects first.

8 Under California Code of Regulations
9 Title 24, Part 1, Section 10-106 does allow for
10 locally adopted energy standards which exceed
11 Title 24 building standards.

12 The requirements within that section
13 basically require that staff review in detail any
14 technical analysis that was submitted and do an
15 overview of any cost analysis.

16 At this point in time, for the City of
17 Santa Monica, staff would request approval of
18 their local ordinance in the fact that we have
19 found that their technical analysis was sound and
20 they did provide a cost analysis.

21 This is the third time that the City of
22 Santa Monica has applied for the system. In this
23 particular cycle, they are looking at an estimated
24 10 percent savings above the 2005 building
25 standards.

1 CHAIRPERSON DESMOND: Commissioner
2 Pfannenstiel.

3 COMMISSIONER PFANNENSTIEL: First of
4 all, I think that we should point out that both
5 Item 4 that we are examining now and Item 5, which
6 is Marin County, represent really good news.
7 These are counties that are willing to have the
8 courage of their political convictions to go
9 further than our upcoming new standards, which are
10 considerably more stringent than the existing
11 building standards.

12 To the extent that these counties have
13 found that in their jurisdictions, that it is cost
14 effective to require standards more stringent than
15 ours there if they have adopted them, and this is
16 both a legal and I would say -- this is a legal
17 matter for us to approve. I would also suggest an
18 opportunity for us to support this.

19 I point out a difference, though, that I
20 think is really interesting. The Marin County
21 standards, and it is described in the document,
22 but what they do is set a 3,500 square foot home
23 as the standard. Any home that exceeds 3,500 --

24 CHAIRPERSON DESMOND: (Indiscernible).

25 COMMISSIONER PFANNENSTIEL: As a

1 ceiling, and in any home that exceeds 3,500 square
2 feet needs to have additional efficiency to bring
3 it to the efficiency level of our standards at
4 3,500 square feet. That is quite a hurdle to
5 reach, and the county has determined that this is
6 cost effective for their citizens. I think they
7 should be commended.

8 With that, I would if there are no
9 further questions, I would move both items 4 and
10 5.

11 (Thereupon, the motion was made.)

12 COMMISSIONER GEESMAN: Second.

13 CHAIRPERSON DESMOND: All those --
14 Commissioner Geesman.

15 COMMISSIONER GEESMAN: Let me observe
16 that this is a process that does repeat itself.
17 The City of Santa Monica has been several times
18 before, and it is one that I think we should take
19 some instruction from, not only in the efficiency
20 area, but in other aspects of our program.
21 Certainly, we have benefitted in the renewables
22 area from local initiatives where local political
23 conditions or local leadership have inspired the
24 governmental jurisdictions to move out
25 substantially ahead of where state government has

1 been willing to go.

2 We have benefitted from that
3 historically quite a bit. I am hopeful that as we
4 get into the transportation fuels area in the plan
5 that we are called upon to adopt next spring, that
6 we can also channel that local energy that exists.
7 It is truly a spirit of I think innovation and
8 experimentation that we can learn quite a bit
9 from. I am certainly in support of this on both
10 items 4 and 5.

11 CHAIRPERSON DESMOND: We have a motion
12 and second. Any further comment or questions?

13 I'll call for the vote.

14 (Ayes.)

15 CHAIRPERSON DESMOND: Those opposed?

16 So moved. Thank you.

17 Item 5, the County of Marin. This is
18 essentially the same presentation, so any
19 further -- I did have --

20 COMMISSIONER PFANNENSTIEL: I think that
21 the motion carried both.

22 CHAIRPERSON DESMOND: Okay, we are going
23 to cover both? Fine, thank you. We are all set
24 with item 4 and item 5.

25 MR. NITTLER: Ready to go into No. 6

1 then?

2 CHAIRPERSON DESMOND: Yes. This is
3 MICROPAS, and I will note a change on the text
4 which is that it is MICROPAS7.1 not MICROPAS7
5 version 7.0. With that, we are looking at agenda
6 item 6. Possible approval of the software program
7 MICROPAS7.1 for use in complying with the 2005
8 residential efficiency standards.

9 MR. HUDLER: Right. Within the building
10 standards administrative code Section 10-109
11 provides for requirements for public domain
12 programs, but also puts in options for alternative
13 calculation methods from private vendors.

14 MICROPAS7.0 was already approved back in
15 March as part of a compliance tool for the 2005
16 standards. The new version, 7.1, includes all the
17 minimal and optional modeling capabilities for
18 residential calculations.

19 Staff has reviewed the version 7.1 and
20 found that it meets all the testing requirements.
21 Again, staff is requesting approval for this
22 version at this time. I would like to acknowledge
23 and thank Ken Nittler who is here from EnerComp as
24 well as Martin Dodd of Energy Soft for all the
25 efforts that they put forward in order to get this

1 2005 standards program available.

2 Ken Martin, our market competitors, and
3 yet they work together, and I feel without their
4 efforts, the 2005 standards would be considerably
5 delayed if not impossible.

6 CHAIRPERSON DESMOND: Thank you. We
7 have a request from Mr. Nittler if he wishes to
8 speak to this issue.

9 MR. NITTLER: Thank you. Good morning,
10 Mr. Chairman and Commissioners. I am Ken Nittler
11 with Enercomp. We are located up in Auburn. We
12 are the authors of the MICROPAS software and a
13 regular participant on issues related to the
14 building energy standards.

15 I would just like to note a couple of
16 things related to this approval request. I am
17 kind of proud to stand here and tell you this is
18 the seventh major private sector version of
19 MICROPAS that has been approved or hopefully will
20 be approved since 1983.

21 That means that when I started doing
22 this, I didn't have gray hair and I had less
23 weight carrying around here, but that is more than
24 22 years. I estimate that more than 2.5 million
25 new homes and apartments have used MICROPAS for

1 the compliance documentation since it was first
2 approved and also hundreds of thousands of
3 additions as well. Kind of a neat track record
4 there.

5 A couple of other comments just in
6 general. I have been doing a lot of work around
7 the country, and I've got to tell you that
8 building standards here in California are clearly
9 the single most successful building energy
10 standard nationwide.

11 I believe this really can be directly
12 attributed to several things. One is the
13 establishment of the California Energy Commission
14 with its skilled and engaged staff that pays
15 attention and works hard to make the standards
16 better at each cycle.

17 I also think whoever had the wisdom
18 years ago when the Warren Alquist doc was set up
19 to make the standard be based on life cycle cost
20 effectiveness was an incredibly brilliant person
21 or persons because that piece, saying that energy
22 efficiency is supposed to be based on life cycle
23 cost effectiveness, doesn't exist in any other
24 building standard.

25 When you are talking about energy

1 efficiency, if you only do it on first cost,
2 things don't work out very well.

3 I would also like to note that I believe
4 that a big part of the reason the standards have
5 been a success here in California are in fact
6 because of its flexibility, not in spite of its
7 flexibility.

8 Occasionally you hear people talking
9 about, oh, they want everything to be simple and
10 wouldn't it be nice. It turns out that because
11 California has such diverse climates with
12 incredibly divergent building practices, if we try
13 to one size fits all kind of approach, I really
14 don't think we would have achieved as much as we
15 have in the building standards over the last 20 or
16 so years.

17 I'd like to thank the staff that worked
18 on this directly, especially Rob Hudler and
19 Valerie Hall. I know it is a busy time getting
20 ready for October 1.

21 I want to tell you that for future that
22 we are ready to support integration of demand
23 response technologies and photovoltaic systems
24 into MICROPAS and perhaps other software products
25 as we move towards the future.

1 With regards to that and before you
2 already pre-passed March version 7, this is an
3 approval to add the capability to do additions and
4 alterations that are a pretty key component.
5 About half of the residential construction dollar
6 in California goes to those items. I look forward
7 to your approval. Thank you.

8 CHAIRPERSON DESMOND: Thank you.

9 Questions or comments.

10 Commissioner Geesman.

11 COMMISSIONER GEESMAN: I just observed
12 that the individual probably most responsible was
13 Ronald Doctor, who was one of the consultants at
14 the Rand Corporation that provided the Legislature
15 with a report that the Warren Alquist Act later
16 stemmed from. Ron later served as one of the
17 first members of the Energy Commission.

18 CHAIRPERSON DESMOND: Thank you.

19 COMMISSIONER PFANNENSTIEL: I would move
20 the item.

21 (Thereupon, the motion was made.)

22 COMMISSIONER ROSENFELD: Second.

23 (Thereupon, the motion was seconded.)

24 CHAIRPERSON DESMOND: All those in
25 favor?

1 (Ayes.)

2 CHAIRPERSON DESMOND: Opposed?

3 So moved. Thank you for those comments
4 and the acknowledgement of staff's work as well.

5 Agenda item 7, the City of Sebastopol,
6 possible approval of a loan to the City for
7 \$242,898.00 to install energy efficient HVAC
8 systems and controls, variable frequency drives,
9 and SCADA control systems and municipal water
10 systems as well as city building.

11 Pay back is estimated at 6.14 years.
12 Mr. Hartley.

13 MR. HARTLEY: Good morning. I am Mike
14 Hartley with the Public Programs Office. Staff is
15 requesting approval of the \$242,898.00 loan under
16 the Energy Conservation Assistance Account for the
17 City of Sebastopol to improve the energy
18 efficiency of systems in the city.

19 The city has recently participated in
20 two energy audits of the city buildings and the
21 municipal water system. A California Energy
22 Commission technical assistance study funded
23 through the Energy Partnership Program and
24 conducted by Brown Vincent Associates, was
25 completed in June 2005 identifying cost effective

1 HVAC measures for the library, police station, and
2 City Hall.

3 An additional opportunities were found
4 for replacing motors, pumps, and updating the
5 SCADA system for the municipal water system.

6 A second energy audit conducted through
7 the Association of Bay Area Governments and funded
8 by the California Public Utilities Commission
9 identified additional HVAC measures.

10 The measures being funded through this
11 loan are supported by savings identified in both
12 studies and are expected to save 225,742 KWhs
13 annually and reduce peak demand by 43.6 KW.

14 The reduction of electricity usage and
15 demand will save the City of Sebastopol about
16 \$40,000 a year providing a simple pay back of just
17 a little over six years.

18 Commission staff has reviewed the
19 project and believes that it is both technically
20 and economically feasible, meets the loan program
21 requirements, and recommends approval of the loan.
22 The Efficiency Committee has also looked at this
23 and recommended their approval.

24 Staff respectfully requests full
25 Commission approval of this loan.

1 CHAIRPERSON DESMOND: Comments?

2 COMMISSIONER PFANNENSTIEL: Mr.

3 Chairman, the Efficiency Committee has, as was
4 just mentioned, reviewed this project and approved
5 it, and so I would move the item.

6 (Thereupon the motion was made.)

7 COMMISSIONER ROSENFELD: I second it,
8 but I do have a friendly question. This six year
9 pay back, presumably there are some rebates from
10 energy efficiency programs that also are going
11 into this project? That is, is this six year pay
12 back after rebates or before rebates, or do you
13 know?

14 MR. HARTLEY: I don't know. I think
15 they were looking at some rebates from PG&E.
16 Yeah, but I don't have any figures on exactly what
17 they are looking at there.

18 COMMISSIONER ROSENFELD: Okay, anyway, I
19 second it.

20 (Thereupon, the motion was seconded.)

21 CHAIRPERSON DESMOND: All those in
22 favor?

23 (Ayes.)

24 CHAIRPERSON DESMOND: Opposed?

25 So moved.

1 Agenda Item 8. I will note that Mr.
2 Maul is not present, and Mary Dyas and Suzanne
3 Finney will be speaking to this issue. This is
4 the Safety Advisory Report on the proposed Sound
5 Energy Solutions LNG Terminal at the Port of Long
6 Beach and is designated by the governor, the CEC,
7 in consultation with state and local agencies, has
8 prepared this report in response to the recently
9 passed Energy Policy Act of 2005, which allows
10 states with pending on-shore LNG terminal
11 applications to identify safety issues and
12 concerns.

13 I want to before you start
14 acknowledging, recognize the hard work in the very
15 short time frame in which I know staff was
16 coordinating with many of these agencies. Please
17 go ahead, Ms. Dyas and Ms. Finney.

18 MS. DYAS: Thank you, Chairman, and good
19 morning, Commissioners. My name is Mary Dyas, I'm
20 with the Natural Gas Office. With me is Dr.
21 Suzanne Finney, a consultant with the Aspen
22 Environmental Group.

23 We are here to present the Safety
24 Advisory Report to the Long Beach LNG Import
25 Terminal Project for the Commission's approval.

1 This report was prepared as a result of
2 the Energy Policy Act of 2005, which was enacted
3 on August 8. The Act allows states with a pending
4 on-shore LNG terminal application to identify
5 safety issues and concerns regarding the terminal
6 in an advisory report filed with the Federal
7 Energy Regulatory Commission which in turn must
8 respond to the issues raised in the Advisory
9 Report.

10 The Energy Commission was designated by
11 the governor to prepare this report which was
12 written with the cooperation of a number of other
13 state and local agencies and was filed with FERC
14 by the deadline of September 7.

15 California is the only state to have
16 filed a Safety Advisory Report. We are requesting
17 the Commission adopt this report so there is no
18 confusion at FERC that this is a Commission
19 document. Given the original 30-day report
20 deadline to FERC, we didn't have time to have the
21 Commission formally adopt this report before
22 today.

23 Are there any questions?

24 CHAIRPERSON DESMOND: Commissioner
25 Geesman?

1 COMMISSIONER GEESMAN: I would point out
2 that the staff did make the document available to
3 each of us for our review prior to its submittal.

4 CHAIRPERSON DESMOND: Thank you.

5 COMMISSIONER BOYD: I would further
6 point out that the subject matter was discussed
7 several times within the frame work of the Natural
8 Gas Committee and, of course, in the inner-agency
9 LNG working group, but as the Chairman noted and
10 as the staff noted, in the very short period of
11 time we had, it was not able to be handled in a
12 routine matter.

13 In any event, I would move adoption of
14 the report, therefore.

15 (Thereupon, the motion was made.)

16 COMMISSIONER PFANNENSTIEL: Just a
17 question. You mentioned California is the only
18 state that has submitted the report. Is that
19 because we are the only one that has a terminal
20 that has been announced and being sited?

21 DR. FINNEY: No, there are actually six
22 states that would have had the opportunities to
23 submit a report, but we were the only one that
24 did.

25 COMMISSIONER PFANNENSTIEL: It is a

1 voluntary action to do so?

2 DR. FINNEY: Yes.

3 CHAIRPERSON DESMOND: Just also a point
4 of clarification, FERC's response to this now will
5 be in what time frame?

6 DR. FINNEY: They need to respond before
7 action is taken on the proposed terminal, but it
8 is not clear how they will respond or when in that
9 time frame they will respond.

10 CHAIRPERSON DESMOND: Thank you.

11 COMMISSIONER GEESMAN: Mr. Chairman, I
12 will second the motion.

13 (Thereupon, the motion was seconded.)

14 CHAIRPERSON DESMOND: Very good. I'll
15 call for a vote. All those in favor?

16 (Ayes.)

17 CHAIRPERSON DESMOND: Opposed?

18 So moved. Thank you, and thank you for
19 the hard work.

20 Agenda item No. 9 which is Assignment of
21 Committee to the California Public Utility
22 Commission Rulemaking and consideration to
23 participate in the PUCs OIR R 05-06-040 regarding
24 the confidentiality issue for the electricity
25 procurement proceeding and the approval of staff's

1 recommendation that the Electricity Committee
2 provide policy guidance.

3 Ms. Tachera.

4 MS. TACHERA: Thank you, Chairman,
5 Commissioners. This is a request to participate
6 in the PUC proceeding, and we recommend that the
7 issue be assigned to the Electricity Committee.

8 CHAIRPERSON DESMOND: Commissioner
9 Geesman.

10 COMMISSIONER GEESMAN: Mr. Chairman,
11 I'll move approval of the staff recommendation.

12 (Thereupon, the motion was made.)

13 COMMISSIONER GEESMAN: As we are all
14 well aware, we've spent a lot of time on this
15 topic here in front of us as it regards the IEPR
16 process.

17 I hope that we are able to bundle up the
18 administrative record in both our demand of forms
19 proceeding which is now in court and the supply
20 forms proceeding we've just issued our order and
21 may very well end up in court and make that record
22 available to the CPUC in this process.

23 I think the utilities made a very good
24 point in front of us that the two agencies should
25 have a common standard, that it doesn't make any

1 sense to have any conflicting standard in that
2 regard.

3 I think one of the most significant
4 aspects of the Energy Action Plan Volume II is the
5 commitment made in the introductory section to
6 removing the remaining barriers to transparency in
7 the Electricity Procurement process.

8 I attach quite a bit of significance to
9 that for two reasons. One is the recognition of
10 the barriers that exist, and two, the commitment
11 to move forward and remove them. I think we can
12 be a help to the PUC by intervening in their
13 proceeding.

14 CHAIRPERSON DESMOND: Thank you,
15 Commissioner Geesman. Additional comments?

16 COMMISSIONER PFANNENSTIEL: I would just
17 second the motion.

18 (Thereupon, the motion was seconded.)

19 CHAIRPERSON DESMOND: All those in
20 favor?

21 (Ayes.)

22 CHAIRPERSON DESMOND: Opposed?

23 So moved. Thank you.

24 Agenda item No. 10, Arvind Thekdi, and
25 if I pronounced that incorrectly, please let me

1 know. Possible approval of contract, 400-05-003
2 for \$40,000. I understand that this is actually a
3 reduction to \$28,000.

4 MR. LOWELL: \$28,100, that is correct.

5 CHAIRPERSON DESMOND: To deliver up to
6 four DOE Industrial Process Heating Best Practice
7 workshops and/or onsite industrial plant
8 assessments. Go ahead.

9 MR. LOWELL: Good morning, Chairman and
10 Commissioners. I am Clint Lowell from the
11 Industrial Energy Efficiency Program.

12 We ask the Commission to approve this
13 \$28,100 training and assessment contract to
14 conduct industrial process heating efficiency
15 training workshops and assessments.

16 This contract is with Arvind Thekdi, an
17 independent contract and a certified US Department
18 of Energy qualified heating specialist.

19 The proposed scope of work includes
20 holding four day long process heating training
21 workshops in partnership with local utilities. In
22 partnership with the manufacturing plant and the
23 local utility, we propose to conduct two one-day
24 training workshops at the plant site followed by a
25 subsequent day of hands on training, an audit of

1 this manufacturing plant.

2 This will enable the students to utilize
3 under instructional supervision the course
4 information and the Department of Energy software
5 that was presented the day before.

6 This contract will conclude with a day
7 long training session held at yet another
8 manufacturing plant followed by a full plant
9 energy audit and training session utilizing DOE
10 technical material and analysis software.

11 By accomplishing these tasks, we propose
12 to demonstrate the ability to provide low cost
13 effective industrial energy efficiency assessments
14 or audits by leveraging funding from not only
15 industry, local utilities, the Commission's grant
16 funds, and industrial assessment centers.

17 We ask your approval of this contract.

18 Any questions, please?

19 CHAIRPERSON DESMOND: Before questions,
20 I would just like to note that the back of
21 documentation contained from our contract's office
22 still indicates the \$40,000 figure, so final
23 approval, assuming that we vote to accept that.

24 Questions or comments from the other
25 Commissioners?

1 COMMISSIONER PFANNENSTIEL: Just a
2 clarification. These are DOE dollars, correct,
3 funneled through the Energy Commission for
4 approval?

5 MR. LOWELL: These are from a DOE grant
6 that we have received that we will use to
7 implement these projects.

8 COMMISSIONER PFANNENSTIEL: With that
9 clarification, I will move the item.

10 (Thereupon, the motion was made.)

11 COMMISSIONER ROSENFELD: I second it.

12 (Thereupon, the motion was seconded.)

13 CHAIRPERSON DESMOND: I would note that
14 I believe it was within the last week or two that
15 the PUC approved industrial rate discount for
16 those customers facing economic problems.

17 My question would be if we have \$40,000,
18 and maybe the Contracts Office has the answer to
19 this, if it is a \$40,000 grant, why not spend all
20 \$40,000, meaning could we use the difference
21 between the \$28,100 to conduct additional
22 industrial audits when in fact those customers may
23 be faced with having to leave the State of
24 California?

25 MR. LOWELL: I can answer that,

1 Chairman. This contract is just one of many that
2 we have before you, some of which do not require
3 business meeting approval. We have a full program
4 planned implementing training programs in all six
5 cross cutting industrial processes that will
6 include boilers, process heating, compressed air,
7 electric, motor pumps, etc.

8 We look to leverage and partnership our
9 limited resources with everyone that we can,
10 including utilities, industry, and the
11 universities.

12 CHAIRPERSON DESMOND: I would ask that
13 staff would communicate the availability of these
14 resources to the PUC in the light of their recent
15 decision, and likewise, it may be something we
16 want to add in the future to the Energy Action
17 Plan.

18 With that, we have a motion and a
19 second. I'll call for a vote. All those in
20 favor?

21 (Ayes.)

22 CHAIRPERSON DESMOND: Opposed?

23 So moved. Thank you.

24 MR. LOWELL: Thank you very much.

25 CHAIRPERSON DESMOND: Agenda item No.

1 11, Gilbert Associates, Inc., possible approval of
2 contract 400-05-004 for \$124,500 to provide
3 independent financial and compliance auditing
4 services related to the Commission's Efficiency
5 Master Trust Revenue Bond Series. Ms. Heinz.

6 MS. HEINZ: Hello, Commissioners. My
7 name is Jane Heinz, and staff is asking approval
8 of the contract to provide auditing services to be
9 consistent with our bond documents under the
10 2003(a) and 5(a) documents.

11 COMMISSIONER GEESMAN: I'll move the
12 item.

13 (Thereupon, the motion was made.)

14 COMMISSIONER PFANNENSTIEL: Second.

15 (Thereupon, the motion was seconded.)

16 CHAIRPERSON DESMOND: Unless there is
17 any further questions or comments, I'll call for a
18 vote. All those in favor?

19 (Ayes.)

20 CHAIRPERSON DESMOND: Opposed?

21 So moved. Thank you.

22 No. 12. Gas Technology Institute,
23 possible approval of Contract 500-05-011 for
24 \$558,540 with GTI to conduct research on
25 commercial gas fryers for food service and a

1 market assessment of the next generation of
2 residential instantaneous water heaters. I would
3 note that we've discussed some of these items in
4 previous business meetings, so please go ahead,
5 Ms. Peterson.

6 MS. PETERSON: My name is Ann Peterson.
7 I'm the lead of the PIER Building's Team. The
8 item before you is a contract, a natural gas
9 contract, in the amount of \$558,540 with Gas
10 Technology Institute. The purpose of the contract
11 is to develop a commercial gas fryer that reduces
12 energy and operating costs for commercial frying
13 in California food service.

14 Secondly, the contract will study and
15 evaluate instantaneous water heating technology in
16 a California marketplace, project potential market
17 growth and energy savings, identify barriers, and
18 recommend strategies for next generation
19 technology.

20 This item has gone before the R & D
21 Policy Committee, and I'd be happy to answer any
22 questions that you have.

23 CHAIRPERSON DESMOND: Thank you.
24 Commissioner Geesman.

25 COMMISSIONER GEESMAN: You mentioned it

1 was a natural gas contract. Is this funded out of
2 our Natural Gas Research Program?

3 MS. PETERSON: Yes, it is.

4 COMMISSIONER GEESMAN: Are we calling
5 that PIER or PING, or do we have a brand name yet?

6 MS. PETERSON: I think that last I heard
7 it is PIER Natural Gas.

8 COMMISSIONER GEESMAN: I think we need
9 to clarify that on our agenda just to make sure
10 that we are using the natural gas research dollars
11 to fund this effort.

12 COMMISSIONER ROSENFELD: So, maybe next
13 time it will say PIER NG funded.

14 MS. PETERSON: Yes.

15 CHAIRPERSON DESMOND: Very good.

16 COMMISSIONER GEESMAN: I'll move the
17 item.

18 COMMISSIONER PFANNENSTIEL: Second.

19 CHAIRPERSON DESMOND: All those in
20 favor?

21 (Ayes.)

22 CHAIRPERSON DESMOND: Opposed?

23 So moved. Thank you.

24 MS. PETERSON: Thank you.

25 CHAIRPERSON DESMOND: Item No. 13,

1 Regents of the University of California Irvine,
2 possible approval of contract 500-00-20 Amendment
3 2, with the Regents to reduce the original
4 contract amount by \$591,904 to \$1,755,603. The
5 scope having been modified from Project 1 and
6 reallocating to Project 2.

7 Mr. Soinski.

8 MR. SOINSKI: Good morning,
9 Commissioners, my name is Art Soinski. I am the
10 team lead for the Environmentally Preferred
11 Advance Generation and the Public Interest Energy
12 Research Program.

13 I am requesting approval of an amendment
14 to a contract for three projects conducted with
15 the University of California Irvine under the
16 direction of Professor Scott Samuelson.

17 The three projects have a commonality in
18 that they are all dealing with the use of micro-
19 turbine generators and the evaluation of the
20 performance of micro-turbine generators under both
21 natural gas, liquid fuels, and alternative fuels.

22 Project 1 is the pacing project, it was
23 design and install the capability to provide
24 synthetic mixtures of gasses which would simulate
25 bio-fuels.

1 Originally, there was going to be a
2 rather extensive piece of equipment known as a
3 fuel reformer that was going to provide mixtures
4 of carbon monoxide and hydrogen. The company that
5 was going to supply that went bankrupt, and other
6 suppliers were much more expensive than the
7 original suppliers. As a result, the project was
8 on hold for about two years.

9 Now Professor Samuelson and I have
10 agreed to modification of the scope of the
11 contract whereby carbon monoxide and hydrogen
12 gasses will be provided either by tanks or two
13 trailers resulting in a substantial cost reduction
14 of \$700,000 and some dollars.

15 Part of the money that was saved in
16 Project 1 is going to Projects 2 and 3. This is
17 to reflect cost over runs. I guess I shouldn't
18 say cost overruns, but changes in the expectations
19 of having to actually do more hardware testing and
20 less modeling in order to determine how modified
21 combustors for micro-turbines should be done.

22 I'll be happy to answer any questions
23 you have about the --

24 CHAIRPERSON DESMOND: Commissioner Boyd.

25 COMMISSIONER BOYD: Art, what does this

1 foretell for research and the use of bio-fuels.

2 It sounds like we haven't been able to move that
3 ball very far down the field so to speak.

4 MR. SOINSKI: The purpose was to really
5 determine whether a stock, micro-turbine, or let's
6 a fuel cell because the capabilities are there for
7 using almost any distributor generation technology
8 on simulated gasses, so we could do a lot of what
9 if type analyses.

10 There is also the capability to use
11 ethane and propane mixtures, so that will allow us
12 to get some handle on what would happen if we
13 bring in LNG, which has content of higher hydro
14 carbons, which are typically difficult to use in
15 something, for example, fuel cells.

16 What this will do is really tell
17 manufacturers without putting a piece of
18 distributed generation equipment into the field,
19 how other equipment would work on a gas from
20 almost any type of composition containing bio-gas
21 components or LNG components.

22 I don't know if that answers your
23 question. It in and of itself, it is a test
24 facility, and it is an implementation of hardware
25 modifications to micro-turbine generators. That

1 is the scope of this. Now that capability, as I
2 said, will remain at the University of California
3 Irvine and could be used by other manufacturers on
4 their test equipment.

5 Professor Samuelson has been quite good
6 on getting interest from companies and also for
7 the US Department of Defense in actually siting
8 and pre-certifying various equipment that actually
9 goes out into the field.

10 COMMISSIONER BOYD: Thank you.

11 CHAIRPERSON DESMOND: Further questions?

12 COMMISSIONER ROSENFELD: I move the
13 item.

14 (Thereupon, the motion was made.)

15 COMMISSIONER GEESMAN: Second.

16 (Thereupon, the motion was seconded.)

17 CHAIRPERSON DESMOND: All those in
18 favor?

19 (Ayes.)

20 CHAIRPERSON DESMOND: Opposed?

21 So moved.

22 MR. SOINSKI: Thank you.

23 CHAIRPERSON DESMOND: Item No. 14,
24 Regents of the University of California, Office of
25 the President, CIEE, possible approval of Contract

1 500-02-004, Amendment 3 to the Regents of
2 University of California Office for spending
3 authority up to \$37,000,000 and a two-year
4 extension through June 30, 2011.

5 Mr. Magaletti.

6 MR. MAGALETTI: Good morning, Mr.
7 Chairman and Commissioners. My name is Mike
8 Magaletti. I work for the Public Interest Energy
9 Research Program Natural Gas. I come before you
10 seeking spending authority to increase an existing
11 inter-agency agreement with the University of
12 California from a \$50,000,000 total to
13 \$87,000,000.

14 We are seeking increases not only for
15 the electricity program, but also for the natural
16 gas program. \$25,000,000 for the electricity
17 program, \$12,000,000 for the natural gas program.

18 We expect this to fund our research
19 projects with the University with governments and
20 with other universities outside of California for
21 the next two years.

22 The other thing I have to mention is
23 that we also expect to use this instrument to fund
24 the Western Carbon Sequestration Partnership Phase
25 2. It is a federal award of some \$14,000,000

1 total, of which at least \$7,000,000 will flow
2 through this instrument.

3 We right now have approximately
4 \$42,000,000 in projects that have either been
5 completed or are on-going. We expect to bring
6 another \$12,000,000 this year to you for approval.
7 One thing I want to emphasize is that we are
8 asking for spending authority. All of the
9 individual projects that we will pursue must come
10 back to the Commission, first through the Policy
11 Committee and then to a business meeting for
12 approval.

13 Are there any other questions?

14 CHAIRPERSON DESMOND: Commissioner
15 Pfannenstiel.

16 COMMISSIONER PFANNENSTIEL: On the
17 material somewhere that I saw that with the
18 addition of these dollars, there will be something
19 like \$87,000,000 going under this Master Research
20 Agreement. The \$87,000,000 which is composed of
21 gas and electricity covers the period from 2002 to
22 2011, is that a correct --

23 MR. MAGALETTI: We are extended the
24 agreement from 2009 to 2011, but really the
25 increase in spending authority will be funded out

1 of the next two years.

2 COMMISSIONER PFANNENSTIEL: Right, but
3 that \$87,000,000 is for that entire period of nine
4 years --

5 MR. MAGALETTI: Yes.

6 COMMISSIONER PFANNENSTIEL: -- that is
7 how I'm supposed to be looking at that?

8 MR. MAGALETTI: Well, the \$37,000,000.
9 I mean we have already allocated and you have
10 approved over \$42,000,000. We have a couple of
11 projects in the hopper that will breach our
12 current spending limit which is \$50,000,000, and
13 now we are asking for \$37,000,000 in spending
14 authority, so that we can go forward with a number
15 of our proposed budget items for this current
16 fiscal year in electricity.

17 We expect fully now that we have
18 authority under natural gas to do the same kind of
19 contracting that we have under electricity. We
20 expect to be able to use this instrument to fund
21 between \$5,000,000 and \$12,000,000 in natural gas
22 projects, but they will all come back to you for
23 individual approval.

24 COMMISSIONER PFANNENSTIEL: That's good,
25 and that's exactly really where I was going is

1 that when they come back to us for individual
2 approval as, you know, relatively small chunks of
3 this \$37,000,000, I think that we need to see some
4 context for the individual projects.

5 I know I have said this before, but if
6 we have -- if we are giving the spending authority
7 increase of \$37,000,000, each project that comes
8 back to us should be seen in the context of that
9 \$37,000,000. To me, it is still a very large
10 amount of money, and I know it is shown as being
11 just a small part of PIER, but it is still a lot
12 of money, so I would like to be able to know each
13 time where an individual project fits within this.

14 MR. MAGALETTI: We are sensitive to the
15 large amount. There is no escaping that
16 \$37,000,000 is a big number. We in PIER receive
17 on the electricity side over \$62,000,000 a year in
18 funds, and on the natural gas side, \$12,000,000,
19 next year \$15,000,000 and beyond that \$3,000,000
20 up to \$24,000.000.

21 Unfortunately, we do deal with large
22 numbers, but absolutely, we will committee to
23 providing you the context within which each of
24 these projects fits in this overall instrument.

25 COMMISSIONER PFANNENSTIEL: Thank you.

1 COMMISSIONER BOYD: Mr. Chairman.

2 CHAIRPERSON DESMOND: Commissioner Boyd.

3 COMMISSIONER BOYD: I would just say I
4 share Commissioner Pfannenstiel's interest, I'll
5 call it, in the very large piece of change
6 involved here. Mr. Magaletti and Mr. Kulkulka
7 took me through in quite a bit of detail how this
8 works and what the plans are, particularly because
9 of my interest in our new natural gas research and
10 how it fit in.

11 I would just say that I received the
12 same assurances that Commissioner Pfannenstiel's
13 elicited today with regard to the Commission's
14 view of each and everyone of the projects and
15 probably posting to some kind of matrix that shows
16 us how we are doing with regard to the \$37,000,000
17 increment and the whole \$87,000,000 authorization.

18 CHAIRPERSON DESMOND: Mr. Magaletti, two
19 comments. Just looking at the back up information
20 here in Table 2 of the \$40,000,000 expended so far
21 in worth authorizations. Nearly 50 percent has
22 been allocated into the environmental arena. The
23 types of questions I would have really relate to,
24 and I am not asking that perhaps you are the
25 person that can answer this question for me today,

1 but how do we allocate and prioritize relative to
2 the IEPR which provides for policy guidance in
3 making sure that this work, irrespective of
4 whether it is done through this Master Agreement
5 or in other areas of PIER as related back to both
6 the governor's and the Commission's adopted
7 policies. I would make that one note.

8 Secondly, I would also note at this
9 point, I am still very uncomfortable in making a
10 decision only because of the inability to provide
11 for the same opportunity to have more detailed
12 questions and answers.

13 I know that there was some delay in
14 getting information that I don't think is through
15 any fault of the PIER folks. Before I got this,
16 you and I only had a chance to speak very very
17 briefly, and I would like the opportunity to sit
18 down and ask those types of questions so I can get
19 to the same point of comfort. I simply have not
20 had that opportunity yet.

21 COMMISSIONER ROSENFELD: I would just
22 say that being the case, it seems as if we should
23 allow a couple of weeks for our chairman and our
24 members to be comfortable. I would much sooner
25 have comfortable colleagues than pressed

1 colleagues.

2 CHAIRPERSON DESMOND: I appreciate that,
3 Commissioner Rosenfeld. With that, we will hold
4 this over then until the next business meeting.

5 Contact my office, and we will set that
6 up as quickly as possible. Thank you.

7 Item No. 15 as I indicated at the
8 beginning of the meeting has been pulled on the
9 appeal, so we will move to item 16, which is SAIC,
10 possible approval of Contract 500-01-007,
11 Amendment 2 for \$1,200,000 and a one year
12 extension.

13 As I understand it, this is the third of
14 the three technical service contracts that we have
15 that we are extending for one year. Mr.
16 Magaletti.

17 MR. MAGALETTI: Yes, that is correct. I
18 came before you in June with two others. This is
19 the third one. It was delayed because of the
20 issue that was pulled on the previous item. The
21 SAIC did not wish to reveal their overhead fringe
22 and unloaded rates.

23 They have decided that they will do so,
24 and, therefore, we are coming before you to seek
25 permission to amend the current contract extending

1 it one year and increasing its spending authority
2 by \$1.3 million.

3 COMMISSIONER BOYD: I think, Mr.
4 Chairman, I would just comment that we keep
5 referencing the fact that the previous item was
6 pulled, but it was pulled on, as Mr. Magaletti
7 said, because the applicant withdrew their appeal.
8 So, as he indicated, they are willing to reveal
9 the data.

10 CHAIRPERSON DESMOND: Thanks for that
11 clarification.

12 COMMISSIONER BOYD: It makes it easier
13 to deal with this item.

14 CHAIRPERSON DESMOND: Yes. Commissioner
15 Geesman.

16 COMMISSIONER GEESMAN: Is the number
17 \$1.2 million or \$1.3 million?

18 MR. MAGALETTI: Excuse, it is \$1.2
19 million.

20 COMMISSIONER ROSENFELD: I move the
21 item.

22 (Thereupon, the motion was made.)

23 COMMISSIONER GEESMAN: Second.

24 (Thereupon, the motion was seconded.)

25 CHAIRPERSON DESMOND: All those in

1 favor?

2 (Ayes.)

3 CHAIRPERSON DESMOND: Opposed?

4 So moved. Thank you, Mr. Magaletti.

5 The next item is Energy Action Plan II,
6 possible adoption. This plan was created jointly
7 by the California Public Utilities Commission and
8 the Energy Commission and provides a coordinated
9 implementation plan for state energy policies.

10 Mr. Kelly.

11 MR. KELLY: Good morning. The proposed
12 Energy Action Plan that you have before you and
13 that for the people in the audience, this is on
14 the table out front.

15 It is not quite the same that was
16 adopted by the PUC on August 25, it has undergone
17 considerable improvement since that time,
18 principally to reflect the governor's Energy Plan
19 and response to our IEPR reports that came out
20 just previous to that a couple of days before
21 that.

22 For example, it includes transportation
23 items, which it did not have when the PUC first
24 considered it. It has also benefitted from
25 additional public input that has happened since

1 the PUC adoption. So, it reflects a multi-agency
2 effort, months of hard Commission and staff
3 painstaking efforts, and it reminds at this stage
4 of a story that is attributed to Henry Kissinger.

5 A staffer took his report in to then
6 Secretary, and said we are ready for your
7 consideration for this document. He says, well,
8 is that the best you can do. The staffer says,
9 no, there is some things I can work on. He says,
10 okay, and gave it back to him. The staffer went
11 away, and he came back a month later with a much
12 bigger document. Kissinger said, well, is this
13 the best you can do. Of course he said, no, I can
14 always make some improvements. By that time, the
15 staffer was so frustrated, that the next time in
16 when Kissinger asked if it was the best he could
17 do. He said, of course it is, it is the best I
18 can do. He said, okay, then I'll consider it.

19 I offer for your consideration this
20 draft of the Energy Action Plan II.

21 CHAIRPERSON DESMOND: Mr. Kelly, I was
22 unaware you worked for Mr. Kissinger.

23 (Laughter.)

24 COMMISSIONER PFANNENSTIEL: I think he
25 works for people just as difficult perhaps as Mr.

1 Kissinger. Mr. Chairman, I would really like to
2 start by commending and thanking Thom Kelly.

3 There have been a lot of people who have
4 participated and contributed to this document. At
5 times, many of us who are in that position got
6 pretty frustrated and felt that we weren't quite
7 sure where to take it. Thom kept it going and
8 worked at developing it into the consensus
9 document that I believe it reflects.

10 I think if one wants to think about what
11 a consensus document is, it is probably one that
12 doesn't make everybody happy, and one that doesn't
13 go quite as far as all of the participants would
14 want it to go, but one that ultimately we can look
15 at and say, yeah, you know, I can vote my
16 conscious and vote with that. I feel that this
17 document is that.

18 I would like to say, make two points
19 about what we have in front of us. One is that it
20 really is just an outline. It is, you know,
21 thirteen or fourteen pages which can't then
22 represent everything that both agencies have in
23 front of us for the next several years.

24 I mean it is just a very rough outline,
25 very rough summary of what we are intending to do.

1 The other side of that is, in fact, it is a
2 summary or an outline of what we intend. It is a
3 document that sets forth what we consider to be
4 the action items on our plates between the two
5 agencies and describes how we both think about
6 going to implement those items.

7 It is never intended to be, it was never
8 intended to be a policy document. It is not
9 supposed to lay out new policy or try to invent
10 policy that doesn't exist. It is supposed to take
11 policy that has been developed and articulated
12 elsewhere and describe how we are going to go
13 about that policy.

14 The other caveat or descriptive item I
15 would put about this is that it really is a point
16 in time. Thom mentioned that it is somewhat
17 different than the version that was adopted by the
18 Public Utilities Commission. That is because, you
19 know, the world changes in a month.

20 We held off adopting a document until we
21 had in front of us the governor's response to the
22 2003-2004 IEPR, very important response. That
23 document from the governor, I believe, the IEPR --
24 if one thinks of the IEPR as a proposed policy
25 document, the governor's response to us turns that

1 into state policy.

2 We had the luxury of taking the
3 governor's articulated policy and translating it
4 into an action plan. I believe that all of the
5 changes or the differences between where the PUC
6 was when they adopted the document and where we
7 are today is as a result of having the later
8 information.

9 What that means is that a month from
10 now, the world will have changed again, and we
11 will probably always be a little behind the eight
12 ball. As a point in time, as a September 21, 2005
13 document, and as Thom is painfully aware, even as
14 of late last night, we are still bringing in what
15 we can in terms of the latest information.

16 I don't think it is all things to all
17 people, nor is it intended to be, but it should
18 represent a strong road map of where the energy
19 agencies in California are intending to put our
20 efforts over the next couple of years.

21 CHAIRPERSON DESMOND: Further comments?
22 Commissioner Geesman.

23 COMMISSIONER GEESMAN: Yes, Mr.
24 Chairman. I'd certainly extend my compliments to
25 you and Commissioner Pfannenstiel and Thom for the

1 efforts that you have made in developing this, and
2 also to Commissioner Peevey, Commissioner
3 Grueneich, and Aaron Brown at the Public Utilities
4 Commission.

5 This is hard work, and as Commissioner
6 Pfannenstiel acknowledged, no one is ever totally
7 satisfied, but I think the significant thing is
8 that large numbers of areas where the two agencies
9 are in agreement with each other.

10 There have been a lot of concern voiced
11 in different quarters over the last couple of
12 years of the need for state government to speak
13 with a single voice in energy policy matters.

14 For better or for worse, this is that
15 single voice, and I think it has been developed in
16 a very pluralistic and fairly transparent process.
17 To me, the primary shortcomings that we often fall
18 is our failure to aggressively pursue the policies
19 that we agree upon.

20 I think here we've laid out a large
21 number of policies that we agree upon, and I am
22 hopeful that under your leadership and
23 Commissioner Peevey's that we can move forward
24 aggressively in pursuing those.

25 CHAIRPERSON DESMOND: Thank you,

1 Commissioner Geesman.

2 COMMISSIONER BOYD: Mr. Chairman?

3 CHAIRPERSON DESMOND: Commissioner Boyd.

4 COMMISSIONER BOYD: I would just like to
5 add my compliments and comments to the word of my
6 predecessors, and in particular thank Mr. Kelly
7 and Commissioner Pfannenstiel for their tolerance
8 because I somewhat feel that I was one of these
9 eleventh hour and fifty-ninth minute people who
10 kept running in with another collective idea. As
11 a result, the clock ticked another second, and
12 another event occurred somewhere.

13 Also, two other things that have struck
14 me about this, it being, of course, being an
15 agreement that calls for progress and cooperation
16 between the two principle energy agencies with a
17 recognition of all the interfaces with the
18 activities of so many other agencies, but it is
19 primarily directed to these two.

20 The recognition of the transportation
21 fuels component in this document, as I always like
22 to say, my mythical third leg, third leg to the
23 energy stool, which the IEPR has recognized and
24 this agency has recognized, but hasn't been
25 recognized in this document and realizing in the

1 past year or so how important this document is to
2 utilities in this state, be they gas or electric.

3 The recognition of the fact that
4 transportation is part of the issue and needs to
5 be paid attention to and the gas and electric
6 sources are fuels if I might term, energy sources
7 for transportation. I am pleased that this is now
8 recognized as a major component of the effort that
9 we all have to carry out. Each agency has
10 responsibilities in that particular area, and I
11 think that is very good that we've done that.
12 Thom was quite tolerant and quite receptive of a
13 lot of the last minute drafting that took place.

14 I am very very pleased to see this
15 document and my compliments to Thom and
16 Commissioner Pfannenstiel in particular for the
17 work that they put in.

18 CHAIRPERSON DESMOND: Thank you,
19 Commissioner. Commissioner Rosenfeld, did you
20 want to add?

21 COMMISSIONER ROSENFELD: I think this is
22 all wonderful. I do want to warn you folks, under
23 demand response, there is a five percent goal.
24 That has been around for some time when we thought
25 that we were going to get AMI systems in the whole

1 state faster than it is going.

2 We had workshops scheduled with the PUC
3 to address that very issue. We are behind
4 schedule, but at the twelfth hour, I am not going
5 to propose changing the language right now.

6 CHAIRPERSON DESMOND: Thank you. The
7 only thing I will add is to simply thank all the
8 participants in this process. Mr. Kelly,
9 Commissioner Pfannenstiel and the other
10 Commissioners because at the end, I think we have
11 a document that is stronger and better for the
12 contributions of all, including those at the PUC
13 commissioners and staff.

14 I want to make sure that we reiterate
15 here once again and publicly, the strong desire of
16 both the PUC and the Energy Commission to work
17 cooperatively in implementing these policies.

18 With that, I will look for a motion.

19 COMMISSIONER GEESMAN: So moved.

20 (Thereupon, the motion was made.)

21 COMMISSIONER PFANNENSTIEL: Second.

22 (Thereupon, the motion was seconded.)

23 CHAIRPERSON DESMOND: All those in
24 favor?

25 (Ayes.)

1 CHAIRPERSON DESMOND: Opposed? So

2 moved. Thank you very much, Mr. Kelly.

3 Item No. 18 is being held to the next
4 business meeting. Item No. 19 is approval of the
5 minutes of the September 7 business meeting.

6 COMMISSIONER BOYD: Move approval.

7 (Thereupon, the motion was made.)

8 COMMISSIONER PFANNENSTIEL: Second.

9 (Thereupon, the motion was seconded.)

10 CHAIRPERSON DESMOND: All those in
11 favor?

12 (Ayes.)

13 CHAIRPERSON DESMOND: Opposed? So
14 moved.

15 Agenda item 20, Commission Committee and
16 Oversight.

17 COMMISSIONER PFANNENSTIEL: Mr.
18 Chairman.

19 CHAIRPERSON DESMOND: Commissioner
20 Pfannenstiel.

21 COMMISSIONER PFANNENSTIEL: Three quick
22 items. The first is just to note that today being
23 September 21, that in nine days the new 2005
24 Building Standards, Title 24 Building Standards go
25 into effect, and that is the culmination of a long

1 intense and very very successful process. I think
2 we all look forward to that.

3 The second item is just to note that
4 last week I chaired the first meeting of the
5 Energy Efficiency Committee of the Governor's
6 Green Action which is a group that we pulled
7 together from other state agencies and BOMA and
8 building industry and a number of other parties,
9 Wally McGuire from Flex Your Power to talk about
10 what we can do to implement, to move along, the
11 governor's objective under the Green Building
12 Initiative.

13 It is a group that doesn't have any
14 formal charter. It is one of the three committees
15 identified by the Green Action Plan, and, in fact,
16 both Secretary McPeak was actually designated as a
17 chair and given her time schedule, she pulled me
18 in as co-chair, and so the meeting last week was
19 sort of a kick off on identifying ways that we
20 from different perspectives can contribute to the
21 governor's objective.

22 Then my third item is that an Energy
23 Commission report that was due to the legislature
24 on October 1 implementing Assembly Bill 549 of a
25 number of years ago that is supposed to offer

1 options for increasing the energy efficiency in
2 existing buildings.

3 For several reasons, we have decided to
4 hold that report to add some additional
5 information to it. One area, for example,
6 additional information we need to incorporate has
7 to do with the PUC program funding for the energy
8 efficiency programs on through the industrial
9 utilities.

10 The result of that program funding
11 allocation will feed into what we are able to do
12 or what we are able to talk about in this report
13 in terms of further options. In addition, the
14 Federal Tax Bill passed this summer has some
15 implications for what we can do in California.

16 For those reasons as well as needing
17 some further analysis, we decided to hold that
18 report. There have been a lot of stakeholders
19 participating in that process, so we need to get
20 the word out to them that the report will not be
21 sent to the legislature on October 1.

22 CHAIRPERSON DESMOND: Thank you.

23 COMMISSIONER BOYD: Mr. Chairman.

24 CHAIRPERSON DESMOND: Commissioner Boyd.

25 COMMISSIONER BOYD: I might mention

1 looking at my associate, Commissioner Rosenfeld,
2 down the table who didn't leap to the microphone,
3 I would mention that last week the Energy
4 Commission this year with a co-host CAL EPA hosted
5 its second annual Climate Change Research
6 Conference for two and a half days. It also
7 became the first annual Scientific Conference of
8 the three Pacific Coast states, and the first time
9 that CAL EPA played a co-hosting role.

10 It was, in my opinion, a resounding
11 success, an incredibly well attended, incredibly
12 interesting for the times I could spend there in
13 terms of moving to science, and the gathering of
14 scientists. Although it was a scientific forum,
15 certainly there are many policy issues getting
16 discussed there.

17 Secretary Lloyd among others was
18 effusive in his praise of the work done by the
19 Energy Commission to put on this conference, and I
20 want to acknowledge Kelly Berkenshaw and
21 (Indiscernible) Franco in particular who did a
22 tremendous amount of work.

23 As you may have seen in the press, we
24 attracted Sir David King, the science advisor to
25 Tony Blair and the government of England who

1 announced that he was pleased to be second in the
2 world to someone. That someone being the State of
3 California for its aggressive activities in the
4 climate change area and the goals that it had set
5 and so on and so forth. I was very pleased to be
6 associated with and have a chance to participate
7 in that.

8 I think it is certainly reflected
9 extremely well on both the State of California,
10 the governor, and this agency. I think it was a
11 resounding success, and I think the staff deserves
12 a lot of credit for that. As always, Sir Arthur
13 Rosenfeld, as far as I am concerned, deserves a
14 lot of credit for his efforts there too.

15 COMMISSIONER ROSENFELD: I thank
16 Commissioner Boyd for his nice words. I am quite
17 recovered from this three day blitz, yet sitting
18 through ten slides a minute packed into twenty
19 minute talks is more than I can really absorb.

20 I think I will say I think the two
21 papers that struck me most as having current
22 interests were both about hurricanes. They are
23 both papers that had been published pre-Katrina,
24 but in the last two or three months.

25 They both show that as you increase the

1 water temperature, the intensity of hurricanes
2 goes up very fast. When the temperature is up 1
3 degree centigrade, I think you can expect a 200
4 year hurricane every forty years roughly as I
5 remember the numbers.

6 The frequency is not up yet, but the
7 intensity is predicted to be up, and that is only
8 one degree, and we are talking about going to four
9 degrees, so I thought that was all pretty
10 significant. It was a good conference. Thanks,
11 Jim.

12 CHAIRPERSON DESMOND: Thank you. Item
13 No. 21, Chief Counsel's report. I'll note that
14 Mr. Chamberlain is not here.

15 MS. ICHIEN: Good morning, Arlene Ichien
16 sitting in for Bill Chamberlain. I just have one
17 item to report, and it is with respect to the
18 appliance lawsuit that is against the Energy
19 Commission.

20 The Appliance Trade Association did file
21 a petition for CERT with the US Supreme Court on
22 September 12, and the Legal Office is currently
23 working on a response to that. Our response is
24 due October 14.

25 CHAIRPERSON DESMOND: Great. Thank you.

1 Item No. 22, Mr. Blevins, Executive Director's
2 Report.

3 MR. BLEVINS: Mr. Chairman, just for the
4 record, I want you to know that after the effusive
5 comments toward Mr. Kelly for his work on the EAP,
6 it took me about ten seconds to request a raise.

7 (Laughter.)

8 MR. BLEVINS: This is of course
9 something he will not be receiving. In all
10 seriousness, I do want to point that relative to
11 the discussion and the items that you've
12 considered today, as we all know, there is the
13 popular perception of state workers out there. I
14 can tell you that from the inside, that perception
15 is very ill derived.

16 Clearly, people are doing a lot of hard
17 work, and they are not getting paid probably what
18 they should be getting paid for it, and I just
19 wanted to acknowledge the fact that you folks
20 acknowledge that work because in some cases, it is
21 all they walk away with.

22 I would encourage you to continue to do
23 that, and I am very pleased to be here working
24 with those kinds of people. Thank you very much.

25 CHAIRPERSON DESMOND: Item No. 23,

1 Legislative Director's Report. Nothing to report,
2 okay.

3 Item 24, Public Advisor's Report.

4 MR. BARTSCH: Mr. Chairman and members,
5 Nick Bartsch representing Margaret Kim, we don't
6 have anything new to report. Thanks.

7 CHAIRPERSON DESMOND: Item 25, Public
8 Comment. We have already heard from Mr. Nittler
9 on agenda item 6. Is there anyone else either
10 present or on the phone. No. Okay, there being
11 no further business. We will conclude this
12 meeting. Thank you very much.

13 (Thereupon, the business
14 meeting was adjourned to
15 closed session at 11:22 a.m.)

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CERTIFICATE OF REPORTER

I, CHRISTOPHER LOVERRO, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission business meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said business meeting, nor in any way interested in outcome of said matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of September, 2005.

Christopher Loverro

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